

## **Assembly Bill No. 797**

### **CHAPTER 271**

An act to amend Sections 1637, 1749, 1749.1, and 1751.1 of, and to add Sections 1625.55, 1625.56, 1625.57, and 1749.32 to, the Insurance Code, relating to insurance.

[Approved by Governor October 5, 2007. Filed with  
Secretary of State October 5, 2007.]

#### **LEGISLATIVE COUNSEL'S DIGEST**

AB 797, Coto. Insurance: agents.

Existing law defines various types of insurance agent licensees.

This bill would add a limited lines automobile insurance agent, as specified, to the existing types of agent licensees.

Existing law provides that an organization may hold any license or licenses necessary to act in specified capacities.

This bill would provide that an organization may hold a license to act as a limited lines automobile insurance agent.

Existing law requires that all new applicants for various agent licenses meet prelicensing education standards as specified.

This bill would require candidates for the limited lines automobile insurance agent license to undergo a minimum of 20 hours of prelicensing study as a prerequisite for qualification for the license. The curriculum for satisfying this requirement would be approved by the curriculum board and submitted to the commissioner for final approval, as specified. The bill would also require licensed limited lines automobile insurance agents who apply to become fire and casualty broker-agents or personal lines agents to submit specified application material, complete prelicensing education, and pass a qualifying examination. The bill would also establish standards for determining the license year and license term for a limited lines automobile insurance agent.

Existing law requires the Insurance Commissioner to appoint a curriculum board, consisting of specified insurance-related and consumer representatives. The board is required to develop or recommend courses of study on various topics, and develop standards for providers and instructors of courses, all in connection with education requirements for insurance licenses. The board must submit the curriculum and standards to the commissioner for final approval.

This bill would provide that the board may approve standards for courses in business management practices that may consist of up to 25% of the agent or broker requirements for license renewal.

Existing law requires licensed agents to complete 10 hours of approved continuing education courses, programs of instruction, or seminars prior to the renewal of their license.

This bill would require limited lines automobile insurance agents to complete a minimum of 20 hours of continuing education prior to renewing their licenses, and would prohibit specified topics from being included in the courses.

Existing law provides that the commissioner shall require fees, as specified, for various licenses.

This bill would provide that the commissioner shall require fees, as specified, for a license to act as a limited lines automobile insurance agent.

This bill would incorporate additional changes to Sections 1637 and 1749 of the Insurance Code proposed by AB 720 contingent on the prior enactment of that bill.

*The people of the State of California do enact as follows:*

SECTION 1. Section 1625.55 is added to the Insurance Code, to read:

1625.55. (a) A limited lines automobile insurance agent is a person authorized to transact automobile insurance, as defined in Section 660. A limited lines automobile insurance agent license is a license to so act.

(b) A license under this section shall be applied for and renewed, following successful completion of a qualifying examination on this code, ethics, and products sold under the license, in the same manner as provided in this chapter for a license to act as a fire and casualty broker-agent.

(c) The commissioner shall require in advance a fee for filing any applications, renewals thereof, or changes in outstanding licenses, or for the filing of other required documents at an amount designated in this chapter for a personal lines licensee, and for filing any notice of appointment or notice of termination at an amount specified in Section 1751.3.

(d) A person licensed as a limited lines automobile insurance agent who makes an application to the commissioner to become a fire and casualty broker-agent pursuant to Section 1625 or a personal lines agent pursuant to Section 1625.5 shall do all of the following:

- (1) Submit an application on a form provided by the commissioner.
- (2) Complete precensuring education as specified in Section 1749.
- (3) Take and pass a qualifying examination pursuant to Section 1676.

SEC. 2. Section 1625.56 is added to the Insurance Code, to read:

1625.56. "License year" for a limited lines automobile insurance agent shall be determined as follows:

(a) Upon initial licensing, the license year starts on the date the license is issued.

(b) Subsequently, each license year starts the first day of the month following the month in which the initial license was issued.

(c) A license year ends the following calendar year on the last calendar day of the month in which the initial license was issued.

SEC. 3. Section 1625.57 is added to the Insurance Code, to read:

1625.57. “License term” for a limited lines automobile insurance agent means all of that two-year period beginning as described in subdivision (a) or (b) of Section 1625.56, as applicable, and ending the second succeeding year on the last calendar day of the month in which the initial license was issued.

SEC. 4. Section 1637 of the Insurance Code is amended to read:

1637. An organization may hold any license or licenses necessary to act in the following capacities under this chapter and no others:

- (a) A license to act as a life agent.
- (b) A license to act as a fire and casualty broker-agent.
- (c) A license to act as a cargo shipper’s agent.
- (d) A license to act as a personal lines licensee.
- (e) A license to act as a credit insurance agent.
- (f) A license to act as a rental car agent.
- (g) A nonresident license to act as a limited lines licensee pursuant to subdivision (i) of Section 1639.

(h) A license to act as a self-service storage agent.

(i) A license to act as a limited lines automobile insurance agent.

SEC. 4.5. Section 1637 of the Insurance Code is amended to read:

1637. An organization may hold any license or licenses necessary to act in the following capacities under this chapter and no others:

- (a) A license to act as a life-only agent.
- (b) A license to act as an accident and health agent.
- (c) A license to act as a fire and casualty broker-agent.
- (d) A license to act as a cargo shipper’s agent.
- (e) A license to act as a personal lines licensee.
- (f) A license to act as a credit insurance agent.
- (g) A license to act as a rental car agent.
- (h) A nonresident license to act as a limited lines licensee pursuant to subdivision (i) of Section 1639.

(i) A license to act as a self-service storage agent.

(j) A license to act as a limited lines automobile insurance agent.

SEC. 5. Section 1749 of the Insurance Code is amended to read:

1749. The department shall require all new applicants for license as a fire and casualty broker-agent, personal lines broker-agent, limited lines automobile insurance agent, or as a life agent to meet prelicensing education standards as follows:

(a) Require a minimum of 40 hours of prelicensing study as a prerequisite to qualification for a fire and casualty broker-agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(b) Require a minimum of 20 hours of prelicensing study as a prerequisite for qualification for a personal lines broker-agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board

and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(c) Require a minimum of 40 hours of precensing study as a prerequisite for qualification for a life agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department. This curriculum shall also include instruction in workers' compensation and general principles of employers' liability.

(d) Require a minimum of 20 hours of precensing study as a prerequisite for qualification for a limited lines automobile insurance agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements under this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(e) In addition to the 40 hours precensing education required to qualify for a license as a fire and casualty broker-agent or life agent, the 20 hours precensing education required to qualify for a license as a personal lines broker-agent, or the 20 hours precensing education required to qualify for a license as a limited lines automobile insurance agent, the department shall require 12 hours of study on ethics and this code. Where an applicant seeks a license for both the fire and casualty broker-agent license and the life license, the applicant shall only be required to complete one 12-hour course on ethics and this code. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval.

(f) An applicant for a life agent license, a fire and casualty broker-agent license, a personal lines broker-agent license or a limited lines automobile insurance agent license, who is currently licensed as such in another state and who has completed 40 hours of precensing education as a requirement for licensing in that state shall be required to complete only the course of study on ethics and the Insurance Code, as required by Section 1749. Additionally, any applicant for such a license holding one or more of the designations specified in subdivisions (a) to (e), inclusive, of Section 1749.4 shall be exempted from any requirement for courses in general insurance that would otherwise be a condition of issuance of the license.

(g) An applicant for a fire and casualty broker-agent license who is licensed as a personal lines agent shall complete a minimum of 20 hours precensing study as a prerequisite. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. The applicant shall not be required to repeat any precensing requirements completed as a prerequisite to being licensed as a personal lines agent.

(h) Review and approval of prelicensing courses not conducted in a classroom, as referenced in subdivisions (a), (b), (c), (d), and (g) shall include an evaluation of the safeguards in place to ensure that the student completing the course is the person enrolled in the course, methods used to monitor the students' attendance are adequate, methods for the student to interact with the entity providing the training exist, and methods used to record the times spent completing the course are adequate.

(i) Prelicensing certificates of completion expire three years from the completion date of the course, whether or not a license is issued.

SEC. 5.5. Section 1749 of the Insurance Code is amended to read:

1749. The department shall require all new applicants for license as a fire and casualty broker-agent, limited lines automobile insurance agent, personal lines broker-agent, life-only agent, or accident and health agent to meet prelicensing education standards as follows:

(a) Require a minimum of 40 hours of prelicensing study as a prerequisite to qualification for a fire and casualty broker-agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(b) Require a minimum of 20 hours of prelicensing study as a prerequisite for qualification for a personal lines broker-agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(c) Require a minimum of 20 hours of prelicensing study as a prerequisite for qualification for a life-only agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements provided by this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(d) Require a minimum of 20 hours of prelicensing study as a prerequisite for qualification for limited lines automobile insurance agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements under this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department.

(e) Require a minimum of 20 hours of prelicensing study as a prerequisite for qualification for an accident and health insurance agent license. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. Any additions to the minimum requirements under this section shall be approved by the curriculum board pursuant to Section 1749.1 and certified by the department. This curriculum shall also include instruction in workers' compensation and general principles of employers' liability.

(f) In addition to the 40 hours prelicensing education required to qualify for a license as a fire and casualty broker-agent, the 20 hours prelicensing education required to qualify for a license as a personal lines broker-agent, a life-only agent, or an accident and health agent, or the 20 hours prelicensing education required to qualify for a license as a limited lines automobile insurance agent, the department shall require 12 hours of study on ethics and this code. Where an applicant seeks a license for more than one of the following license types: a fire and casualty broker-agent license, a personal lines broker-agent license, a life-only license, or an accident and health license, the applicant shall only be required to complete one 12-hour course on ethics and this code. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval.

(g) An applicant for a life-only agent license, an accident and health license, a personal lines broker-agent license, or a limited lines automobile insurance agent license, who is currently licensed as such in another state and who has completed 20 hours of prelicensing education as a requirement for licensing in that state shall be required to complete only the course of study on ethics and the Insurance Code, as required by Section 1749. Additionally, any applicant for such a license holding one or more of the designations specified in subdivisions (a) to (e), inclusive, of Section 1749.4 shall be exempted from any requirement for courses in general insurance that would otherwise be a condition of issuance of the license.

(h) An applicant for a fire and casualty broker-agent license who is currently licensed as such in another state and who has completed 40 hours of prelicensing education as a requirement for licensing in that state shall be required to complete only the course of study on ethics and this code, as required by subdivision (f). Additionally, any applicant for such a license holding one or more of the designations specified in subdivisions (a) to (e), inclusive, of Section 1749.4, shall be exempted from any requirement for courses in general insurance that would otherwise be a condition of issuance of a license.

(i) An applicant for a fire and casualty broker-agent license who is licensed as a personal lines agent shall complete a minimum of 20 hours prelicensing study as a prerequisite. The curriculum for satisfying this requirement shall be approved by the curriculum board and submitted to the commissioner for final approval. The applicant shall not be required to repeat any prelicensing requirements completed as a prerequisite to being licensed as a personal lines agent.

(j) Review and approval of prelicensing courses not conducted in a classroom, as referenced in subdivisions (a), (b), (c), (d), and (i) shall include an evaluation of the safeguards in place to ensure that the student completing the course is the person enrolled in the course, methods used to monitor the students' attendance are adequate, methods for the student to interact with the entity providing the training exist, and methods used to record the times spent completing the course are adequate.

(k) Prelicensing certificates of completion expire three years from the completion date of the course, whether or not a license is issued.

SEC. 6. Section 1749.1 of the Insurance Code is amended to read:

1749.1. (a) The commissioner shall appoint a curriculum board consisting of representatives of insurance agents, brokers, and life agents trade associations and representatives of insurance companies and consumer groups to develop the prelicensing and continuing education curriculum, including a list of preapproved courses of study, including courses of study for professional designations which would satisfy the requirements of this article. The curriculum board shall develop or recommend courses of study covering all lines of insurance to be sold under each license including, but not limited to, any special products such as long-term care insurance, Medi-gap policies, disability insurance products, and course study on ethics and pertinent sections of this code. The curriculum developed and the courses of study approved by the board shall be submitted to the commissioner for final approval.

(b) The curriculum board shall also develop standards for providers and instructors of prelicensing and continuing education courses, programs, and seminars, which standards shall be approved by the board and submitted to the commissioner for final approval. The curriculum board may approve standards for courses in business management practices which may consist of up to 25 percent of the agent or broker requirements for license renewal. No prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs.

(c) For purposes of applying subdivision (b), courses in “business management practices” shall consist of the following subject matter:

(1) Accounting and financial management, including trust account maintenance, reconciliation and auditing, financial statements, business budgeting, income and expense ratios, banking and investment practices, and business perpetuation and planning.

(2) Information and database management, including recordkeeping, privacy law, and other legal requirements covering the use of information.

(3) Human resource management, including employee compliance supervision, recruitment, training, and licensing.

(4) Customer service management, consisting of methods to improve handling of consumer inquiries and complaints.

(5) Communication skills, consisting of methods to improve writing and verbal skills for communication with clients, employees, insurance carriers, claims departments, and regulators.

(d) Whenever the commissioner has reasonable cause to believe, and determines after public hearing, that any approved course, program of instruction, or seminar is being conducted so as to fail to meet the commissioner’s prelicensing or continuing education curriculum, or any provider or instructor for any course, program, or seminar has failed to comply with the commissioner’s standards, the commissioner may make and serve upon the provider or instructor of that course, program, or seminar

an order or orders rescinding approval for that provider, course, program, or seminar, or imposing fines and penalties on that provider, or both. The amount of any fines and penalties shall not exceed the amounts set forth in Section 1748, and shall be based on the criteria for assessing penalties specified in that section. No credit towards meeting the requirements of this article shall be granted any applicant or licensee for completion of a course, program, or seminar after the effective date of any order rescinding approval for that course, program, or seminar. The commissioner shall serve notice of hearing required by this section upon the provider or instructor of the course, program, or seminar, stating the time and place therefor, and the grounds upon which his or her order is made. The hearing shall occur not less than 30 nor more than 60 days after notice is served.

(e) The commissioner may impose monetary penalties for minor instances of noncompliance with the standards established pursuant to this article, such as late course roster submissions and late course presentation schedules. The monetary penalties shall not exceed the amounts of the fees established pursuant to Section 1751.1. The commissioner shall adopt regulations to establish the monetary penalties to be levied against providers for late filings and other minor instances of noncompliance with this article and Article 6.5 of Subchapter 1 of Chapter 5 of Title 10 of the California Code of Regulations.

SEC. 7. Section 1749.32 is added to the Insurance Code, to read:

1749.32. (a) An individual licensed as a limited lines automobile insurance agent shall complete required continuing education courses, programs of instruction, or seminars approved by the commissioner. The minimum number of hours required is 20 hours per license term prior to the renewal of the license.

(b) An individual licensed as a limited automobile insurance agent and as a life-only agent or accident and health agent shall satisfy the requirements of this section by satisfactorily completing 24 hours of instruction prior to renewal of the license.

SEC. 8. Section 1751.1 of the Insurance Code is amended to read:

1751.1. (a) The commissioner shall require fifty dollars (\$50) in advance as a fee for filing an application for certification as a prelicensing or continuing education provider pursuant to Section 1749.1. That certification shall be effective for a period of 24 months.

(b) The commissioner shall require fifty dollars (\$50) in advance as a fee for filing an application to renew certification as a prelicensing or continuing education provider pursuant to Section 1749.1. That certification shall be effective for a period of 24 months.

(c) The commissioner shall require fifty dollars (\$50) in advance as a fee for filing an application for certification of a prelicensing education course pursuant to Section 1749. That certification shall be effective for a period of 24 months.

(d) The commissioner shall require twenty-five dollars (\$25) in advance as a fee for filing an application to renew certification of a prelicensing



education course pursuant to Section 1749. That certification shall be effective for a period of 24 months.

(e) The commissioner shall require twenty-five dollars (\$25) in advance as a fee for filing an application for certification of a continuing education course, program, or seminar pursuant to Section 1749.3 and Section 1749.32. That certification shall be effective for a period of 24 months.

(f) The commissioner shall require ten dollars (\$10) in advance as a fee for filing an application to renew certification of a continuing education course, program, or seminar pursuant to Section 1749.3 and Section 1749.32. That certification shall be effective for a period of 24 months.

SEC. 9. Section 4.5 of this bill incorporates amendments to Section 1637 of the Insurance Code proposed both by this bill and AB 720. It shall become effective only if (1) both bills are enacted and become effective on or before January 1, 2008, (2) each bill amends Section 1637 of the Insurance Code, and (3) this bill is enacted after AB 720, in which case Section 4 of this bill shall not become operative.

SEC. 10. Section 5.5 of this bill incorporates amendments to Section 1749 of the Insurance Code proposed both by this bill and AB 720. It shall become effective only if (1) both bills are enacted and become effective on or before January 1, 2008, (2) each bill amends Section 1749 of the Insurance Code, and (3) this bill is enacted after AB 720, in which case Section 5 of this bill shall not become operative.